

## CROATIA

Capital: Zagreb

GDP per capita: \$4,530

Population: 4,600,000

Inflation: 6%

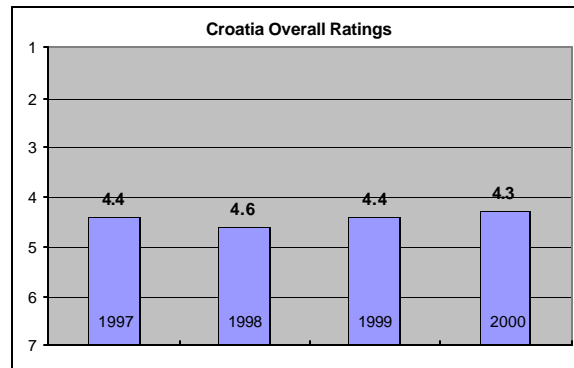
Unemployment: 17.2%

Foreign Direct Investment: \$750,000,000

### OVERALL RATING: 4.3

In spite of significant political changes that took place after the Parliamentary Elections in January 2000, the Croatian NGO sector remains weak and its sustainability is in doubt. The new government has expressed rhetorical support for NGOs, emphasizing the role of non-governmental organizations in bringing positive changes and democracy to Croatia. However, this support has not manifested itself in the concrete changes that are vital to NGOs' survival. Even the amount of funding provided by the Croatian Government to NGOs has decreased in the past year. The only positive change brought about by the new government relates to the public image of NGOs: organizations are no longer perceived as enemies, or as anti-Croatian.

The challenges facing the sector stem from serious economic and social problems. The level of donor support previously available to Croatian NGOs has decreased due to positive changes in the political environment. Consequently, many NGOs active in the area of human rights and reconciliation are having difficulties with organizational and financial sustainability.



The number of registered NGOs has increased slightly, to approximately 20,000. Of these organizations, 18,073 operate at the local level and 1,834 at the national level. There are 38 foundations and 55 foreign NGOs registered in Croatia. In spite of this increase, some NGOs have been dissolved. There are only about 1,000 active and well-developed NGOs. Many NGOs operate as interest groups or grassroots initiatives at the local level. The most active NGOs include those in the fields of social services, women's issues, human rights, legal assistance and environmental protection. Croatian civil society is still weak in the development of intermediary support organizations and local foundations. The legal environment, including the existing Law on Associations, the Law on Foundations and Funds, and tax and fiscal laws, remains weak. Positive changes are anticipated in the near future, though, and the government used a transparent procedure for drafting the Law on Associations, actively engaging both NGOs and the broader public in the process.

## LEGAL ENVIRONMENT: 4.0

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Early in the year, the Constitutional Court struck down a number of provisions in the Law on Associations that imposed unnecessary burdens on associations seeking to register. Since a new law has not yet been enacted, NGOs currently operate in a somewhat fluid legal environment that is open to potential abuse.

The existing Law on Associations and Funds is reasonably transparent regarding the internal management, scope of permissible NGO activities, and financial reporting. Provisions on the dissolution of NGOs, however, give rise to some concern. The Law on Foundations and Funds confers upon the government a great deal of unwarranted power regarding the appointment of organizations' managing bodies.

While NGOs (particularly human rights organizations) were frequently harassed by the previous administration, the new government has not engaged in this type of behavior. On the contrary, they have introduced significant improvements and

increased the transparency and involvement of NGOs in the process of drafting a new Law on Associations. Three NGO activists were members of the drafting committee, and the draft law is publicly accessible through the Government Office for NGOs' web page. Panel discussions regarding the draft law were held in four regional centers.

Only a handful of lawyers are expert in NGO law, although modest efforts to increase this capacity are underway. The Croatian Law Center (CLC) of Zagreb is still the most active NGO providing pro bono legal services.

Grants and endowment income are tax exempt, but exemptions to individual and corporate donors are quite limited. In addition, the Law on Associations is not clear as to whether or not (and to what extent) associations can engage in economic activities. Registration practices have not been consistent on that issue. Nevertheless, the tax code does provide certain exemptions for income generated from the economic activities of NGOs.

## ORGANIZATIONAL CAPACITY: 4.8

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The organizational capacity of most Croatian NGOs is low due to their precarious financial situation, caused largely by the difficult economic and social conditions in the country, as well as decreasing donor support.

Well-developed NGOs can afford to have a few paid staff members, while smaller organizations generally have no more than one full-time (or half time) paid staff member and a few volunteers. Some NGOs have reduced the number of paid staff members they employ, because of fund-raising problems. In

general, volunteerism is limited. Few NGOs actively utilize volunteers and/or promote volunteerism. In order to improve their sustainability, many well-developed NGOs have started to practice strategic planning, using local consultants/trainers to help them with the process. This is also true for some smaller NGOs that have recognized strategic planning as one of the key issues critical for future development.

Leading NGOs usually have a well developed management structure with clearly defined roles and responsibilities.

Boards of directors or supervisory boards are still very weak in most NGOs. Boards rarely adopt a pro-active role in advising and assisting administrators. Often, top managers will be both leaders of their NGO and board members, a situation that may entail a conflict of interest. Generally, most Croatian NGOs still face numerous management weaknesses, especially those that have not received foreign donations and assistance.

The capacity Croatian NGOs to develop their constituency is limited, and is an uncommon concept to most organizations. However, larger NGOs are becoming aware of the need to build and improve their relationships with their constituencies.

Most well developed NGOs have computers, faxes, and internet access, although the equipment is generally not up-to-date.

## **FINANCIAL VIABILITY: 6.6**

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Financial viability is the largest obstacle to the sustainability of Croatian NGOs. As stated earlier, this is a consequence of serious economic and social difficulties, and a decrease in donor support to civil society organizations. Most leading NGOs are dependent on the support of a few foreign donors; therefore their financial viability is at great risk. Although funding from local sources is low, it has started to increase. Conversely, national government support to NGOs has decreased substantially within the past year.

There is growing interest on the part of local governments in supporting NGOs, especially in cities such as Rijeka, Split, Zagreb and Osijek. This support is often the result of personal connections with

local government officials, as opposed to open and transparent competitions for funding. Several larger NGOs increased their revenues by contracting with local governments to provide social service activities. Some local governments have provided office space for organizations. With the exception of trade unions, the Croatian Bar Association, and a few elite associations, few NGOs receive significant revenues from dues.

NGOs supported by foreign donors have good financial management systems in place and have excellent reporting skills. Many of these organizations employ professional accountants because they have few full-time employees.

**ADVOCACY: 2.5**

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Croatian NGOs — especially environmental, human rights, peace, youth, and women's groups — have organized strong advocacy campaigns. For example, an impressive, broad-based "get-out-the-vote" campaign was organized before the presidential elections in late 1999 and the parliamentary elections in early 2000 by NGO coalitions GLAS 99, GLAS 2000, and GONG. These coalitions included over 50 local NGOs, and had a major impact on the high voter turnout in the elections. Approximately 73 percent of voters participated in the Croatian Parliamentary Elections on January 3, 2000. Furthermore, an impressive group of more than 5,000 non-partisan election monitors was recruited during the campaign, and was critical in ensuring free and fair elections.

The national government is beginning to cooperate with NGOs, primarily thanks

to the efforts of the Government Office for NGOs, which is very supportive of civil society groups. In Spring 2000, the Government Office for NGOs invited civil society groups to propose changes to the new draft Law on Associations. In order to facilitate this process, they put the draft law on their web page. Unfortunately, many NGOs have not responded. In addition, the Croatian Law Center has proposed a new draft Law on Associations. NGO initiatives regarding the abolishment of several provisions of the current Law on Associations were unsuccessful.

Local authorities are becoming more open to the idea of cooperation with NGOs, though such openings are still not common in smaller municipalities. Similarly, the development of local foundations is at a very early stage.

**SERVICE PROVISION: 4.4**

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Psychosocial organizations, human rights groups, and women's groups have been active in providing services to children, youth, women, refugees, displaced persons, and returnees in Croatia. Often, the government does not provide such services. While contracting with local governments is not a common practice, some local governments have recognized the importance of such services and have started to support NGOs in providing them. Even government-supported NGOs, however, have not been successful in recovering their costs. A small number of NGOs provide support in the fields of economic

development, environmental protection, governance, and housing. NGOs providing assistance with water and energy services, however, are almost nonexistent.

NGOs generally offer services that respond to the needs of vulnerable groups in their communities. Recently, some NGOs have initiated community-building programs in war-affected and rural areas. The new government has also started to recognize a potential role for NGOs in providing social welfare services.

**INFRASTRUCTURE: 4.0**

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The overall infrastructure of the NGO sector remains weak, although there has been some development in this area. Two new training organizations (EOS and SMART) have been established and are focusing on topics critical to NGO development including organizational development, strategic planning, fund-raising, proposal writing, advocacy, volunteerism, and communication with the media. In addition, three new NGO support centers have been created. One is a new organization and two exist within already-established NGOs. While a positive development, it is too early to determine whether these new training organizations and support centers will be effective and responsive to the needs of the overall sector, especially concerning the development of smaller grassroots NGOs in regions outside of the big cities.

During the last year, DemNet/Croatia completed and published the first *NGO Handbook* written in the Croatian language, a crucial development for those numerous NGO activists who are unable to use a foreign language. A substantial market remains for additional literature on civil society, published in Croatian.

In general, Croatia lacks local grant-making organizations with the capacity to provide grants to other NGOs. There is substantial interest in establishing community foundations, but only one has been developed to date.

The electronic network Zamir.Net has contributed to communication among NGOs, and is critical for regional cooperation and networking. Some NGO subsectors meet regularly; for example the Women's Network and Green Forum. In addition, Ceraneo and the Government Office for NGOs organize annual gatherings NGO gatherings.

In addition, the Government Office for NGOs continues to play a critical role in improving the communication between local authorities and NGOs. Partnerships with local governments have started to emerge in the social services field, primarily in larger cities such as Rijeka and Split. Unfortunately, the corporate sector remains mostly closed to the non-profit sector, although there are a few initiatives in which the two sectors have begun to cooperate.

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## PUBLIC IMAGE: 4.0

The NGO led civic education and get-out-the-vote-campaign during the presidential and parliamentary elections contributed significantly to improvements in the public image of NGOs. One example of an NGO with an exceptionally positive public image is GONG, which excels in media communications. Women's groups and environmental NGOs have also continued to receive favorable media coverage due in part to close cooperation with several journalists.

However, most NGOs need to establish or improve their media relations skills.

In general, the national media has been less interested in civil society than the local media. Despite small improvements, public understanding of and support for the NGO sector remains limited. Most national and local government officials and most businesspersons also have a limited understanding of the role, capacity and value of NGOs. Generally, Croatian

NGOs are not sufficiently open or transparent in their operations.